

FISCAL NOTE

Bill #: SB0179

Title: Increase video gambling tax for certain establishments

Primary Sponsor: Toole, K

Status: As Introduced

Sponsor signature

Date

David Ewer, Budget Director

Date

Fiscal Summary

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
Expenditures:		
General Fund	\$0	\$0
State Special Revenue	\$0	\$0
Revenue:		
General Fund	\$31,450,361	\$31,450,361
State Special Revenue	\$(187,560)	\$(187,560)
Net Impact on General Fund Balance:	\$31,450,361	\$31,450,361

- | | |
|-----------------------------------------------------------|--------------------------------------------------------|
| <input type="checkbox"/> Significant Local Gov. Impact | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

Department of Justice:

1. SB 179 increases the video gambling machine tax for those establishments with more than 10 machines from 15% of gross income, to 30% of gross income.
2. For purposes of this fiscal note, it is assumed that establishments that currently license from 11 to 19 machines will remove all but 10 machines.
3. It is estimated that approximately 1,563 fewer video gambling machine permits will be issued under the proposal. When a permit is issued, an annual fee of \$220 is paid, along with an additional \$10 annual surcharge fee for machines located on premises with fewer than 20 machines, or \$20 for machines that are located on premises with 20 or more machines.
4. The \$10, or \$20 annual surcharge fee is deposited to the state general fund.
5. Per assumption 1, the machines being removed are currently paying the \$10 surcharge fee. With 1,563 fewer machines paying the \$10 surcharge, it is projected that the general fund revenue from surcharge fees would decrease by \$15,630.

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(continued)

6. The \$220 annual surcharge is split \$120 to the state special revenue fund for administration of gaming, and the remainder is returned to the local government where the machine is located.
7. With 1,563 fewer machines receiving permits, it is estimated that the state special revenue account will be reduced by \$187,560 (1,563 x \$120) per year.
8. It is assumed that while operators of with 11 to 19 machines will drop all but 10 machines each, they will only lose about 10% of their gross revenue. It is assumed that there will be times when locations in this category will not have enough machines for every customer.
9. Reported gross income and taxes paid from locations that will decrease from between 11 and 19 machines, to 10 machines will decrease by 10%, or \$819,289.
10. Gross income reported by those establishments with 20 or more machines is estimated at \$215,237,000; the estimated tax at the current rate of 15% is \$32,285,550 (\$215,237,000 x 15%).
11. It is estimated that the bill will not affect the number of machines licensed, or gross income reported by those establishments with 20 or more machines. It is anticipated that since gross income will not be affected, but the tax is effectively doubled from 15% to 30%, that the general fund would see an additional \$32,285,550 per year.
12. General fund revenue under the provisions of SB 179 would increase by approximately \$31,450,631 (\$32,285,550 - \$819,289 - \$15,630) per year.
13. DOJ assumes it will be able to administer the provisions of this bill without additional staff or expenditures.

FISCAL IMPACT:

	<u>FY 2006</u> <u>Difference</u>	<u>FY 2007</u> <u>Difference</u>
<u>Revenues:</u>		
General Fund (01)	\$31,450,631	\$31,450,631
State Special Revenue (02)	\$(187,560)	\$(187,560)

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01)	\$31,450,361	\$31,450,361
State Special Revenue (02)	\$(187,560)	\$(187,560)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Using the aforementioned assumptions, with 1,563 fewer machines receiving permits, it is estimated that the local government share of the video gambling machine permit fee revenue will be reduced by \$156,300 (1,563 x \$100) (see assumption 6).